



# UNITED STATES ATTORNEY'S OFFICE EASTERN DISTRICT OF VIRGINIA

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**FOR IMMEDIATE RELEASE:**

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## **Operator of \$8.3 Million Dollar Investment Scheme Pleads Guilty to Mail Fraud and Money Laundering**

**(Richmond, Virginia)** – James E. Brown, Jr., age 22, of Richmond, Virginia, pled guilty in federal court today to one count of mail fraud and one count of money laundering. He faces a maximum of 20 years in prison and fines that could total as much as \$16,000,000 on each count. In addition, he faces restitution of \$8,300,000 to over 350 investors. Brown is scheduled to be sentenced on March 14, 2007, by United States District Judge Richard Williams. Chuck Rosenberg, United States Attorney for the Eastern District of Virginia; Charles J. Cunningham, Special Agent-in-Charge, Federal Bureau of Investigation (FBI); Charles Pine, Special Agent-in-Charge, Internal Revenue Service (IRS); Guy J. Cottrell, Inspector-in-Charge, Postal Inspection Service (USPIS); Major William Warner, Chesterfield Police Department; and, Richard Foelber, Deputy Chief, Commodity Futures Trading Commission (CFTC), announced the plea.

According to court documents, beginning in November 2005, Brown was the president and sole owner of Brown Investment Services ("BIS"), a Virginia based company located in Chesterfield County. In support of his plea today, Brown acknowledged that he solicited investors to BIS with written guarantees that he would double their money in thirty business days (six calendar weeks) based on representations of his expertise in the Foreign Currency Exchange Market ("FOREX"). Brown informed potential investors that he would personally invest their money in the FOREX. After the initial 30 business day investment period, investors were given the option of reinvesting their investment proceeds – which had supposedly already doubled – with BIS and receiving a new written guarantee that BIS and Brown would again double the investment. Brown told investors that the fee for his services would be limited to whatever investment proceeds exceeded the guaranteed return to investors. Based on Brown's representations during his investment solicitations, more than 350 investors, including individuals, small businesses, and churches, invested a total of more than \$8,300,000 in BIS.

Instead of investing in the FOREX as he had promised, however, Brown used most of the money from investors for personal expenditures, including numerous luxury automobiles. He

then utilized these automobiles to market the success of his investment strategies to potential new investors, and to reassure his existing BIS investors that he was successfully trading in the FOREX.

He also misappropriated some of the invested money from new investors to pay existing investors the returns that he had guaranteed them. This was also intended to lull the existing investors into believing that he was indeed making successful investments for them, as promised, and to market BIS to new investors, many of whom were the friends and family members of investors who had received lulling payments.

As BIS grew, Brown hired employees to provide him personal assistance and help with the day-to-day operations of BIS, including an armed body guard, personal assistants, executive assistants, and a fashion consultant. At the height of its business operations, BIS employed approximately 10 individuals in various capacities.

Of the more than \$8,300,000 he obtained from investors, Brown actually invested only \$484,000 in the FOREX market. Despite his claims of being an expert in FOREX trading, he lost approximately \$61,000 of this money. Due to Brown's misappropriations and poor investments, only approximately \$700,000 remained in the BIS bank account from the more than \$8 million in investor funds deposited when authorities arrested Brown.

The investigation was conducted by the FBI, the IRS, and the USPIS. In addition, the Commodity Futures Trading Commission provided assistance related to the FOREX trading account FOREX market issues. The Chesterfield County Police Department also provided assistance to the investigation. Assistant United States Attorney Mike Dry prosecuted the case for the United States.

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